

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Minneapolis Resident Investigative Office
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Room 450
Minneapolis, MN 55402
(612)370-3111 Fax: (612)370-3107



February 12, 2007

Mr. Jack Baker, President
Machinists AFL-CIO
Local Lodge 1297
930 Grove Avenue
Ashland, OH 44805

Re: Case Number: [REDACTED]

Dear Mr. Baker:

This office has recently completed an audit of Machinists Local Lodge 1297 under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). As discussed during the exit interview with Jeremiah Espy and [REDACTED] on January 16, 2007, the following problems were disclosed during the CAP. The matters listed below are not an exhaustive list of all possible problem areas since the audit conducted was limited in scope.

The CAP disclosed Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 requires, among other things, that adequate records be maintained for at least 5 years by which each receipt and disbursement of funds, as well as all account balances, can be verified, explained, and clarified. As a general rule, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipient(s) of the goods or services. In most instances, this documentation requirement can be satisfied with a sufficiently descriptive expense receipt or invoice. If an expense receipt is not sufficiently descriptive, a note can be written on it providing the additional information. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

The audit of Local Lodge 1297's 2005 records revealed the following recordkeeping violations:

Union officers and employees failed to maintain adequate documentation for reimbursed expenses. The date, amount, and business purpose of every expense must be recorded on at least one union record.

As agreed, provided that Local Lodge 1297 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding this violation.

The CAP disclosed a violation of LMRDA Section 201(b), which requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations. The Labor Organization Annual Report (Form LM-3) filed by Local Lodge 1297 for fiscal year ending December 31, 2005, was deficient in the following areas:

- The reconciliation of the LM-3 report is off by \$2,589. Page 14 of the LM-3 instructions provides a worktable to verify that the figures for receipts, disbursements, and cash are correctly reported on your organization's report.
- Item 24 of the LM-3 report does not provide a breakdown of payments to officers for expense reimbursements in column E. Instead, all payments to officers are reported in column D as gross salary.
- Item 40 of the LM-3 report does not reflect all payments received from initiation fees. Instead, it appears that these amounts were included as dues in item 38.
- Item 54 (other disbursements) of the LM-3 report includes \$12,000 which should have been reported in Item 47 (per capita tax) since it represents delinquent per capita tax paid when the union merged with former members of a UAW local.

The CAP disclosed a violation of LMRDA Section 201(a) which requires that a union submit a copy of its revised constitution and bylaws with its LM report when constitution or bylaw changes are made. Local Lodge 1297 amended its constitution and bylaws in 2004, but a copy was not filed with its LM report for that year. A copy of Local Lodge 1297's constitution and bylaws has now been filed.

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Local Lodge 1297 must file an amended Form LM-3 for fiscal year ending December 31, 2005, to correct the deficient items discussed above. I provided you with a blank form and instructions, and discussed with you the availability of the reporting forms and instructions on the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than March 1, 2007. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

I want to extend my personal appreciation to Machinists Local Lodge 1297 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and the compliance assistance materials provided to you are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,

Fred Vaudrin
District Director

cc: Jeremiah Espy, Secretary Treasurer